



1921

## Economic Conditions Governmental Finance United States Securities

1261 NEW YORK, August, 1921

### General Business Conditions.

**T**HE observers of business are almost unanimous in their assurance that there is a "better feeling" about business. Just exactly what this recurring phrase means is difficult to state. It might be descriptive of any of a dozen psychological changes that could enter into the situation. If it means that people generally have begun to realize the causes that have thrown industry out of balance, and to appreciate the things that must be corrected before conditions come into equilibrium again, then we should say that the reported "better feeling" constituted an important advance toward normalcy. If, however, the "better feeling" means simply that people are merely smiling and waiting more patiently, rather than setting themselves seriously to the task of wage and price reductions and other readjustments that are necessary, then we fear that it signifies but little.

There is fresh evidence constantly that the readjustments are taking place. They are slow, but it takes time for a knowledge of conditions to reach all classes and divisions of the population, and for them to make up their minds to give the cooperation that is necessary to bring industry back into balance. Meanwhile, it will aid in the cultivation of patience to realize that conditions are by no means so bad as they might be, and that considering all the circumstances the volume of business is really surprisingly large. Department store sales so far this year have been in physical volume ahead of last year, although somewhat lower in values, owing to lower prices. The monthly letter of the Federal Reserve Bank of New York for August gives the following table showing a calculation in percentage figures of the production in this country of eleven important commodities in each month of this year up to June. To arrive at a fair estimate of normal production a statistical analysis has been made of all available figures for previous years, and allowance made for normal growth. The percentages are as follows:

(Normal Production Equals 100)

	Jan.	Feb.	Mar.	April	May	June
Anthracite coal mined	101.3	110.8	93.4	98.2	88.9	94.1
Bituminous coal mined	73.6	64.0	57.4	64.0	67.3	65.9
Pig iron production..	70.0	59.1	44.4	33.2	33.7	30.8
Steel ingot production	58.3	48.8	40.0	30.9	31.9	26.5
Tin deliveries .....	30.1	30.7	32.6	30.8	23.7	30.8
Cement production ...	77.8	70.3	88.2	87.7	82.8	83.6
Cotton consumption..	54.8	66.7	66.1	63.6	67.1	72.5
Wool consumption ...	55.4	67.1	87.8	98.4	105.2	106.6
Sugar meltings .....	53.6	77.9	120.9	93.9	80.3	70.2
Wheat flour milled ...	79.6	80.0	107.9	113.7	104.6	116.1
Meat slaughtered ....	88.2	92.2	91.9	101.1	96.9	102.0

The good showing of the cement industry is largely due to the amount of public highway construction under way, which is stimulated by a desire to give employment to labor.

These figures show a very uneven state of industry, but certainly they do not indicate anything like complete prostration. July is the mid-summer month and normally not one of great activity, but business prospects in the commodities of common trade are considered good for a maintenance of the present volume and perhaps some increase of demand in the Fall. It is now more than a year since dealers have bought goods freely for stocks and they must buy for current trade.

### Textiles Make Better Showing

The textile lines have made a good showing during the past month. Seasonal demands for light wearing apparel have been active; cotton goods for next Spring (although opening at about the present season's prices) have sold well, with the demand for gingham unusually heavy. Woollen mills have been busy on goods for Fall delivery, and are now booking orders for the Spring trade, at practically the same prices.

Paterson reports 20 per cent more looms in operation upon silk goods than in January of this year. Retailers still appear to be buying in light quantities, and only for immediate needs.

### Iron and Steel Industry Still Stagnant

In contrast to the increased activities in textiles, other great industries are showing no marked advances. In iron and steel, further reductions in both prices and wages have been the feature of the month. According to the

Those desiring this Letter sent them regularly will receive it without charge upon application

"Iron Age," the average price of eight principal steel products in the last week of July was \$50.39 per ton, against \$85.03 at the high level of 1920 and \$35.80 in August, 1913, a typical pre-war year. This is certainly a very substantial reduction, but the market is still unsettled and wages in the industry are yet far above the pre-war level. Further reductions in both wages and prices are expected, particularly if reciprocal reductions in railroad charges are made.

Sales have been buoyed up somewhat from the low ebb reached a few weeks ago, as was to be expected when stocks on hand had become depleted. But the railroads both at home and abroad, along with the construction industry, are still buying only what is absolutely necessary for current needs. Production throughout the whole iron and steel industry is scarcely above 20 per cent of capacity.

#### Contributions of Mines to Railroad Revenue

The mining industry is very much depressed, and a correspondent points out the relation of this to the railroads. Figures from the Bureau of Mines show the nation's mineral output in 1920 was valued at slightly above 4½ billion dollars, or in the neighborhood of half the total value of our agricultural crops for the same year. In 1920 also, raw mined products, contributed 58.2 per cent of the tonnage carried by the railroads in carload lots. Even excluding shipments of bituminous coal, which of course bulk considerably, the mining industry last year contributed:

Twice as much railroad tonnage as agriculture;  
Two and one-half times as much railroad tonnage as non-mining miscellaneous commodities;  
Three times as much railroad tonnage as forestry;  
Twelve times as much railroad tonnage as animal industry.

In other words, mining furnishes more than one-half the freight revenue of the railroads. It is conservatively estimated today that the metal mining industry as a whole is operating at not more than 50 per cent of capacity. The inter-dependence of industry is illustrated by the fact that the railroads not only depend upon the mines for the bulk of their revenue, but the mines depend largely on the buying of the railroads for their own prosperity.

#### Wages in Copper Mines at Pre-War Level

In the copper industry four out of every five men normally employed are today out of work. Wages of those who are working are at their pre-war level—\$4.00 per day for common labor in the Rocky Mountain region, as compared with \$6 a day during the war.

On the other hand, wages for common labor at the anthracite mines are from \$6.50 to \$7.00 a day, representing an estimated labor charge per ton of \$4.07, as compared with

\$1.80 in 1913. Mining thus affords a conspicuous example of what has been referred to in this Letter many times before: the unbalanced state of industry generally. The metal miner has been forced by economic conditions to take drastic wage cuts that have brought his pay down to pre-war basis; the coal miner, on the other hand, is working under a national agreement which runs to April, 1922, and has taken no reduction in the wage rate. The high wage rate, is of doubtful value to the bituminous miner, however, because the demand for coal has fallen to about 8,000,000 tons per month, or approximately 30 per cent from full production. As a result of high mining costs, high-priced coal is a factor in high railroad charges, while high priced coal and high railroad charges figure large in all industrial costs, and are among the chief factors in the industrial depression which throws coal-miners out of employment and in keeping up living costs.

Coal buying seems to be for current use only, consumers apparently holding off in expectation of lower prices. The Summer season is passing without the usual accumulations for Winter, and warnings are becoming urgent that a coal famine may result later, particularly if there should be a revival of industry. Prices are demoralized, but still high as compared with pre-war prices.

#### Building Sluggish

Revival of construction activity on anything like a gratifying scale has thus far failed to materialize. Operations for June were apparently slightly lower than May, taken the country over, but were larger than April. Figures for July had not yet been compiled, as this was written, but indications were that they would be more encouraging than either April, May or June.

Building materials still show firm resistance to price reductions, having remained, according to the U. S. Bureau of Labor's estimate, practically stationary throughout the Summer—at 202, as compared with 100 for 1918, and 341 for the peak price of May, 1920. Despite the fact that construction workers in some cities have accepted wage reductions, the price of labor throughout the industry is still entirely too high for the work actually done. One hundred thousand workers in New York are resisting a proposed \$1 per day reduction in their pay, which is \$9 a day for journeymen. At the same time, a committee of the American Engineering Council, appointed by Mr. Herbert Hoover, announces that \$500,000,000 a year in wages are being lost through unemployment. One of the chief sources of waste in the industry, adds the report of the Committee, has been through union regulations,

which "in the past have produced enormous losses through direct or indirect restriction of output."

#### The Crops

It is yet too early to give a final estimate of this year's grain crops, but the winter wheat crop is made and is a good one. The total yield promises to be above the pre-war normal, and for corn a crop that will approach, or even top, the biggest crop in the record of the country. In another month it will be possible to tell the story much more accurately.

The government's official report on crop conditions for July forecast 809 million bushels of wheat, 1,329 million bushels of oats, and 3,123 million bushels of corn. The wheat estimate was off 20 million bushels from that for June and the August estimate will doubtless show a further reduction. Threshing returns have been disappointing in some localities. Weather conditions throughout the month were in the main favorable, although there was widespread complaint from Spring wheat territory, on account of the hot, dry weather, and the damage done by rust.

Canada's crop is now estimated at around 300 million bushels, which is a little above the yield of last year.

Movement of wheat has been exceptionally heavy during July. From July 1 to 26, 11,743 cars arrived in Kansas City alone, as compared with 3,959 for the same period last year, and an average of about 5,000 for the same period each year since 1914. The same heavy movement is apparent at Chicago.

Reasons that lie behind the early marketing in such quantities are obvious. The farmer's experience last year in holding back his grain in the hope of a better price met with such discouraging results that there is little temptation to try the same experiment again this season. Moreover, his need for current funds is urgent. The fact that railroad cars are easier to obtain this year than they were last, furnishes another incentive to early marketing.

#### No World Surplus of Wheat

The not infrequently expressed fear that 1921's wheat crop might be in excess of world needs, seem to be unfounded. Russia is still out of the market, as a seller, and is actually buying flour from outside, apparently India's position will be changed from that of exporter to importer; and Roumania will have no wheat to export, it is predicted. Although the grain crops over Europe are generally reported to be good, the carry-over was small. Bradstreet's calculates that the importing countries will buy about the same amount as last year. Much now depends on the growing crops in Argentina and Australia, where acreage is about the same as last year and prospects to

date are reported favorable. India will probably take what Australia has to spare.

The market has stood up well under the heavy receipts from this crop, demonstrating the services of the speculator, for undoubtedly the deliveries have been far beyond the needs for immediate consumption.

Given favorable weather conditions through August, the corn crop should be the largest ever harvested in this country. The planted area is 109 million acres, or approximately 5.4 millions more than last year, when the record crop of 3,232 million bushels was produced.

Yields of oats and barley are light, both in quantity and in weight. The hay crop is apparently short, the fruit crop reduced in most sections, and the pack of canned goods considerably below last year's total.

#### The Price of Corn

Prices ruling in the cereal market are not such as to increase the buying power of the farmer. Below are given the cash prices of number 2 yellow corn, in Chicago, upon July 22 or the nearest date thereto over a period of 10 years:

1912—	72½c	per	bushel	1917—	163½c	per	bushel
1913—	60½c	"	"	1918—	152½c	"	"
1914—	72c	"	"	1919—	195c	"	"
1915—	80½c	"	"	1920—	154c	"	"
1916—	83½c	"	"	1921—	64½c	"	"

The present price is, with one exception, the lowest in a decade, and slightly above one-third that of a year ago. The figures as to oats are even more unsatisfactory, as this year the farmer has a light crop selling at a low price. Moreover, quotations at Chicago and other central markets do not tell the whole story. Owing to the increased freight rates the farmer who sells in the country markets realizes a considerably smaller percentage of the Chicago price than before the new rates went into effect. Prices in primary markets are based upon prices in the central markets, less cost of delivery in the latter.

Among agricultural products wheat and hogs are above pre-war prices, and yielding fair returns, but on the whole the farmers' income is down to a level which renders it impossible for him to make improvements or buy the usual quantity of manufactured goods for consumption at the present level of prices for the latter.

#### Cotton Crop Smallest in Many Years

Despite some damaging rains and unusual activity of the boll weevil, cotton has had a good growing month, and conditions generally have been such as to favorably revise the government's July estimate of 8,433,000 bales, which is some five million smaller than last year's crop, and almost eight million smaller than the record crop of 1914. Prices firmed



up somewhat during the early part of July, but lost in the later days of the month. Only a year ago (July 22, 1920), spot cotton sold in New York at 43.75 cents per pound. In June of this year, the price had dropped to the low mark of 10.85, or to less than 25 per cent of last summer's level.

There are ample indications that, along with the cotton acreage reduction of from 25 to 30 per cent, there will be greater diversification of crops in the South this year than ever before. It is fallacious to think of the land that is being withheld from cotton growing, as wasted land. One authority estimates that the corn and wheat acreage in the cotton states has been increased by 60 per cent this year. It is also said that the Southern farmers are raising more hogs and cattle than ever before.

#### **The Fundamental Trouble**

The fundamental difficulty upon which a revival of business waits is still the inequality of values as between the various classes of goods and services. The normal basis of trade between people in different industries has been disturbed, and it is only by the pressure of painful experience that the old relations are restored.

The position of the farmers who are producing cotton, corn and oats, is set forth briefly above. The producers of wool, hides, sugar, and foodstuffs generally are getting no more for their labor than before the war. Among the principal items of expense to them is clothing. They produce the raw material for it, but under the modern system of industry sell it and buy it back in the form of garments, paying the transportation charges, mill-workers, garment-workers and all middle men by supplying food and raw materials to everybody.

All of the people who have a part in the conversion of wool, cotton and hides for the farmer's use are still getting 100 per cent or better above pre-war wages, but naturally they are not all at work, for the evident reason that the farmer cannot buy as many clothes at the present prices as when his own compensation was on a par with the compensation of these people with whom he is trading services.

#### **The Clothing Industry**

A great strike has been on in the clothing industry of New York City for nearly a year, against a reduction of wages, which during the war and the year following were advanced 150 to 200 per cent. Nominally it is a contest between employees and employers, but the latter would be as willing to pay the old wages now as in 1919 if they could charge the same prices for clothing. The first strike was by the buyers of clothing, and it was a wholly unorganized movement with them. They simply quit buying because their own incomes had de-

clined and they did not have the means to go on buying clothing at the old prices.

They have been getting along without clothing and one way or another the clothing workers of New York have been getting along without wages for nearly a year. The latter are said to have expended a million or two of strike funds which they had left after giving \$250,000 to support the steel strike. They have now announced their intention of raising a new "defence fund" of \$5,000,000, for the purpose of keeping up the price of clothing, or, as they put it, of placing themselves in "actual control" of the clothing industry. It may be added that this \$5,000,000 is not to be invested in clothing manufacture, but simply in getting control without ownership. When they have accomplished this purpose the problem of selling clothing at war-prices to farmers who are producing wool and cotton at pre-war prices will remain to be solved.

#### **A General Situation**

A similar problem faces the wage-earners in all the industries. The wage-workers in agriculture have the situation before their eyes, and have yielded to it promptly. The wages of farm hands have dropped approximately one-half. Farm hands were close enough to the situation to see that it was that or nothing. The factory workers, railroad employes and town workers generally are many of them working for the farmers and will have to face the same situation. Unemployment exists on a large scale because goods cannot be sold, and they cannot be sold because the industrial situation is out of balance. Recovery will come as the balance is restored and cannot come otherwise.

It is greatly to the credit of the wage-earners as a class that the process of readjustment has proceeded with as little friction as has been the case thus far. Generally there has been willingness to make concessions. It is not advisable that the movement should be unduly pressed. It is better to take more time, although delay means that the losses are greater, for the wage-earners are entitled to know why lower wages are necessary. They are interested in having the necessary readjustments made in order that industry may be on a basis that will afford steady and full employment. Wage reductions will have to go much further in the manufacturing industries and in transportation before this situation is reached. It has been contended, and with much force, that living costs should lead rather than follow, wage reductions, and they have led at the expense of the earnings of farmers and at the expense of profits and dividends, but they have reached a point where further price reductions are dependent upon wage reductions. These reductions, however, will not mean a loss of purchasing power to wage-earners, for the very reason that wages are now the principle factor in



prices, and the cost of living, generally speaking, will decline accordingly.

On the other hand if further reductions are not made in the industries indicated, living costs are likely to rise. Already the farmers are organizing for the purpose of curtailing the production of agricultural products. The cotton crop this year will be 25 per cent below the average amount required under normal conditions to meet the demand. Plans are being developed to curtail the production of foodstuffs. These policies are justified by the combinations of wage-earners and others to maintain wages and the prices of town-made products at an unfair level above farm products. The whole system of restriction is wrong and in the end defeats the purpose in view of bettering living conditions for those who practice it. When everybody practices it the result is poorer living conditions for all. The best results will be obtained for every group of workers by a fair attitude toward others, and by a common policy to obtain full production.

#### **A Universal Problem**

The industrial situation is out of balance not only between the several branches of industry, but between countries, as the one-sided state of trade shows. The latter, however, is in the way of gradually righting itself. An officer of this Bank attended the meeting in London in June of the International Chamber of Commerce, where an opportunity was afforded of meeting bankers and business men from nearly all the countries of Europe. He came away with the conviction that the want of balance between industries is a more serious factor in the world depression than the want of balance between countries. Everywhere wages, manufactures, transportation charges and middlemen's charges generally are out of proportion to the value of primary products. The latter have fallen precipitately; wages come down slowly and wages are the sustaining factor in the cost of manufactured goods, transportation charges and middlemen's services.

England's export business is poor because the countries around the world to which she sells must pay for the most part in raw materials and these are so cheap that they cannot buy much. It is true that the devastated districts of France cannot produce in normal quantities, but the restored industrial capacity is very much in excess of present operations. In other words they could not at present use more shop capacity if they had it. There is a state of deadlock not only in trade between countries but in domestic trade, and the latter is generally the most important factor. It is a question whether our exports can be very much increased immediately even by offering credits. Manufacturers will not buy cotton unless they see a prospect of selling cotton goods, and that depends upon a general industrial revival, or in other words upon a general flow of trade. If

we could make great loans at low rates for construction purposes, thus putting people to work, that would afford a stimulus, but that is impossible; and responsible statesmen over there would shrink from making great loans for purposes not directly productive, such as dwelling houses, at present building costs. Great Britain has abandoned its undertaking to build 500,000 houses, frightened out by the cost.

#### **The Russian Market**

The loss of the Russian market has seriously affected European industries, and that it even affects the United States unfavorably is a striking illustration of how a disturbance of industry in one country will disturb it in many. The prostration of Russia relieves the American wheat grower from competition, but has closed a great market for cotton goods and all manufactures. The industrial depression which results affects the sales of cotton all over Europe. If those countries are to buy wheat of us instead of Russia they will want to know who will take the manufactures with which they have been accustomed to pay Russia. It does not wholly meet the situation to offer them wheat or cotton on credit, for the ultimate consumer, the wage-earning population, cannot buy unless he has employment.

The loss of the Russian market has affected India seriously, because Russia consumed about 25 per cent of all the tea grown in the world. Tea has had a calamitous fall, and the ability of India to buy cotton goods affects the ability of Manchester to buy American cotton. It likewise has affected the price of silver, and the fall of silver has affected the ability of both India and China to import goods from the western world. And so the influence of the Russian debacle may be traced through many ramifications, all showing how the world is linked together by common interests, and teaching the lesson that the movements of trade are too complicated to be effectively regulated by the acts of legislative bodies.

What is said above is by no means intended to discourage plans for providing credits for Europe. We can sell much more with them than without them, but we must not allow ourselves to think of international payments either for goods or upon indebtedness in terms of money. Such payments must be made in goods or they never will be made at all. The equilibrium between countries and between industries must be eventually restored.

#### **Money and Credit.**

The credit situation continues to work easier in the industrial districts of the country, as the liquidation of business proceeds. Inventories are being reduced and debts paid, with the result that bank loans are going down and

bank reserves are rising. This movement is enhanced by the steady receipts of gold from Europe. During the year ended June 30, 1921, the net importation of gold into the United States was \$535,000,000, and the reserves of the Federal Reserve banks increased by \$490,000,000. When it is considered that consumption in the arts took an amount in excess of the domestic production, it will be seen how effective the Federal reserve system has become as a means of gathering up the available gold supplies.

At one time last Spring the Federal reserve bank at Dallas was the only one of these banks rediscounting paper with the other reserve banks, but the statement for July 27 shows the Richmond, Atlanta, Minneapolis and Dallas banks borrowing from the Boston, New York and Cleveland banks to the aggregate amount of \$61,400,000.

On the 21st of July the reserve banks of Boston, New York, Philadelphia and San Francisco, put into force a 5½ per cent discount rate for all classes of paper. The Bank of England and Bank of France have recently dropped their regular discount rates to the same figure.

These reductions have been due to an easier banking situation, and for the purpose of making less burdensome the task of carrying stocks, particularly of farm products, which at present cannot be sold.

Commercial paper is ruling at 6¼ to 6½, with exceptional paper as low as 6 per cent. Collateral time loans are about the same or slightly lower, and call money has been irregular, ranging from 6 per cent down to 3½, according to the daily supply. The demand has been light.

#### Progress of Liquidation

The total earning assets of the Federal reserve banks on July 27 were \$1,919,408,000, which compares with \$3,162,315,000 in the corresponding week of last year, and \$3,422,000,000 at the middle of October, 1920. The percentage of total reserves against combined note and deposit liabilities is 63.4 per cent, against 44.2 per cent one year ago. It should be noted in this connection that this increase in reserve percentage has been due more largely to increases in the reserves, resulting from gold importations than to reduction of liabilities. According to a calculation given in the July letter of the Federal Reserve Bank of New York, the average reserve percentage in June would have been 48 if figured on the reserves of a year ago, instead of 59 as figured on the actual reserves.

The liquidation which has occurred has not been forced, but has resulted from the slackening of trade and decline of prices. Less working capital is required to carry on busi-

ness under these conditions, and deposits shrink as commodity values decline.

The decline in the volume of deposits and loans and also of interest rates may be properly called to the attention of the critics who have been charging the bankers with having restricted loans for the purpose of increasing their earnings. If that was their purpose their own policy defeated it. We have often set forth the fact, familiar to all practical bankers that the banking business makes the largest earnings when the community is generally prosperous. The critics evolve their theories to the contrary out of their heads, without any study of the actual conditions. Their fundamental mistake is in thinking of bankers as money-lenders only, losing sight of the fact that bankers make their profits off the deposits, and that the volume of these is closely related to the state of general industrial and business activity.

#### The Federal Reserve System in Politics

It is unfortunate that any effort should be made to attach political significance to the management or policies of the Federal Reserve System. In the judgment of people best qualified to judge of banking policies, both in this country and abroad, the chief error committed in the management of the Federal Reserve system up to this time was in making credit too cheap while the government loans were being floated and in the year following the armistice. This policy was not governed by economic conditions, but by a desire to facilitate the floating of loans and keep the public in pleasant humor. The public was misled as to actual conditions and has suffered in consequence. Many people have viewed with concern that feature of the Federal Reserve system which provides that the members of the governing board at Washington shall be appointed by the President, and every attempt to make capital for or against any political party from the policies of the system increases that concern. If the Federal Reserve system is to be involved in every Presidential election and the policies of the Reserve Board are to be directed with a view to carrying the next election, the usefulness of the system will be very greatly impaired. The recent reductions of discount rates by the Reserve banks have been made possible by a lessened strain on the system, and do not signify a reversal of policy.

#### Foreign Credits

Bills are pending before the Congress for several measures intended to provide for the flotation of securities based upon credits which represent exportation of American products, particularly of the farm. They are strongly backed by the Senators and Representatives from the states where agriculture is the domi-

nant industry. Under ordinary conditions there would be no occasion for such legislation, and we would regard it an undesirable innovation, but present conditions in foreign trade are extraordinary. It is impossible for Europe to buy our products as it would like to do except upon credit, our home markets are congested with a surplus and all business is depressed in consequence.

There is difficulty in enlisting private capital in the sums needed, because European credit, in view of the existing state of politics and industry over there, does not make a strong appeal to private investors. There is undeniably more risk in dealings with Europe now than in normal times. Ordinarily the export business on our staple commodities is handled on a very small margin of profit, but the traders expect to get cash on delivery of the shipping documents. Traders cannot sell grain, cotton and meats on credits. There is a public interest in having these exports go on, but that argument is not effective in an appeal to individual investors. It is, however, a valid argument in favor of the use of government credit. The British Government has appropriated approximately \$100,000,000 for a guaranty of export credits, upon the theory that the general interest warrants it in making this effort to get business moving. It does not guarantee foreign credits in full, but up to 85 per cent of actual sale values.

#### War Finance Corporation

In the War Finance Corporation the United States Government has an organization which with some enlargement of its authority is as well calculated to handle such business as any that can be devised, and at slight additional expense. It therefore seems that any further activities should be through it. In seeking to enlarge its activities it is well to understand clearly why it has not done more business in the past. That has been because it was restricted in operations to advances upon credits guaranteed by banking corporations. No scheme that contemplates such endorsements by commercial banks will amount to anything. Banks that are dependent for their resources upon deposits payable on demand, or within a short time, cannot safely tie those deposits up in long term credits to Europe, even though they can obtain advances against them. The liability is still there, and the foreign credits when due may have to be renewed in whole or in part. Banking institutions organized under the Edge Act and obtaining capital from investors can comply with such terms, but few of them as yet have been organized, and it is doubtful if a very considerable amount of capital can be provided in that way.

If it is the will of the Congress to go farther and put it in the power of the War Finance

Corporation to handle an important amount of exports, the Corporation must be authorized to assume the unavoidable risks. It should be authorized to receive foreign government bonds, or other security in its discretion. Although it is desirable to trade with private parties rather than with governments it may be desirable to have both private and government credit pledged in some instances. The total volume of business should be limited but within those limits much will have to be left to the judgment of the management, if anything is to be accomplished.

#### Table of Exchange Rates

Following is a table of exchanges for the month of July:

	Normal	Rate in cents July 27	Rate in cents June 27	Change from Par	% of Depreciation
Canada .....	1.00	.8900	.8825	.1100	11
Germany .....	.2382	.0126	.0135	.2256	95½
Italy .....	.1930	.0408	.0595	.1522	78½
Belgium .....	.1930	.0751	.0805	.1179	61
France .....	.1930	.0772	.0807	.1158	60
England .....	4.8665	3.5750	3.76	1.2915	26½
Switzerland ..	.1930	.1640	.1700	.0290	15
Holland .....	.4020	.3058	.3315	.0962	24
Denmark .....	.2680	.1510	.1705	.1170	44
Norway .....	.2680	.1280	.1450	.1400	52
Sweden .....	.2680	.2030	.2245	.0650	24
Spain .....	.1930	.1272	.1320	.0658	34
Argentina ....	.9648	.6575	.6850	.3073	31½
Japan .....	.4985	.4850	.4800	.0135	2½

#### Improvement in Europe.

Notwithstanding much that is discouraging in the European situation the balance is on the other side. The outlook is better than at any time since the war and has improved very much in recent months. There is steady improvement in physical conditions. In France the railroads have been completely restored, and this is true of the highways and canals. The farming land is 98 per cent restored to crop-bearing condition, although probably not fully up to pre-war state of cultivation. The industrial districts of France are restored to more than 50 per cent of pre-war capacity. All over Europe conditions are better. Transportation facilities are better, coal production is better, the industries are all slowly recovering. All Europe has suffered this year from extraordinary drought, but the fall sown grain seems to have stood it very well. Grass and root crops have suffered.

#### Decline of Revolutionary Spirit

The greatest gain has been in the spirit of industry and social order. The revolutionary spirit is fast disappearing. The revolutionary element has had its day; it made the most of the confusion following the war, of government management in industry, government doles, and the vague though generous sentiment for a new order of society. The people are tired of agitation and of being "fed up" on



idealistic theories, conceived without any working knowledge of real conditions. Government management of industry is everywhere discredited, and the people are turning back with a feeling of relief to the old ways and methods by which they know how to get things done.

Perhaps the greatest influence of all has been that which has come from the calamitous failure of the Socialist revolution in Russia. A knowledge of conditions in Russia pervades all Europe. The labor organizations have not trusted to newspaper information but have sent delegations of their own to Russia to learn the truth, and the reports have satisfied them that however much they may be dissatisfied with what they call the capitalist management of industry, they have nothing to gain by exchanging it for the state of things existing in Russia.

This information has had a far-reaching effect upon the temper and policies of organized labor. It has tended to restore the authority of the old leaders, which for a time was shaken by the more aggressive and radical aspirants for power who came to the front.

This change is a fundamental one. It is the most important thing that could have happened for the improvement of the situation, because no recovery could take place unless the stability of society was assured. It affords a basis for credit and encouragement to enterprise.

#### Great Britain

The labor situation in England, which was so menacing in April, when a general strike was threatened, has cleared away remarkably. The miners made a stubborn stand, but remarkably free from violence considering the number of men and high state of feeling. They exhausted their strike funds and large contributions to it by other labor organizations, but finally abandoned their contentions for nationalization, a pooling of all the mining districts, and all radical changes, and went back to work at reduced wages. Wage reductions have been accepted in the textile industries, steel and iron industry, engineering and machinists trades, and in many lines. The railroad employees are working on a sliding scale by which wages come down automatically with the decline of prices of certain staple commodities. A more peaceful and settled feeling pervades the situation. Trade is poor and there is much unemployment, but there is confidence that when the necessary readjustments are made a trade revival will set in.

#### France

Industrial conditions in France are quiet. Wages and prices are falling, and there is no serious labor trouble at this time. Foreign trade, which has been heavily against France in recent years, in the first five months of 1921

showed a balance of exports over imports amounting to 410,487,000 francs. The national budget has not been brought into balance, and revenues for the current year are running below the official estimates, owing to the contraction of trade, but the Treasury has been able to raise money by internal loans to meet its requirements, including large sums for reconstruction purposes. It is officially stated that 27,000,000,000 francs, at the old par of exchange over \$5,000,000,000, has been expended by the national government upon reconstruction since the armistice. In view of this it signifies much to say that the paper money circulation has not increased in the past year. It means that the expenditures have been met out of the savings of France, although not out of the current revenues of the government.

The great task which confronts France, and calls for the highest courage in the face of depressed industrial conditions, is that of providing homes for the population in the devastated region. The government has wisely directed its efforts first to restoring the conditions necessary for the revival of industry, in order that the people might become self-supporting. After nearly three years since fighting ceased the people are still living by hundreds of thousands under improvised shelter. This condition is keenly felt by all France, and the utmost effort will be made to push the housing program.

#### German Assistance in Reconstruction

A very important conference took place in June at Wiesbaden between M. Loucheur, the French minister of reconstruction, and Dr. Rathenau, German minister of corresponding functions, to consider what might be done in the way of having Germany participate directly or by supplying materials in the work of house-building. This evidently is a very important matter, as whatever Germany can deliver directly to France will help to simplify the world trade problem which is involved in the undertaking by Germany to export of billions of dollars worth of products in excess of her imports.

The meeting between the ministers seems to have been successful, each expressing himself highly pleased with the attitude of the other, and although many details are yet to be arranged, it is probable that Germany will supply a large part of the building materials required for the housing campaign.

A serious difficulty, however, arises in the development of this program, from the fact that France is entitled to only 52 per cent of the total annual reparation payments, and these payments are to be spread over about thirty years. France wants the houses built quickly, within the next two or three years

at the utmost. Even if Germany wished to anticipate the regular annual payments to France, some arrangement with the other allies would have to be made to permit France to receive more than her quota. Because of the urgent need for expediting the building campaign, France would like to raise money on the German reparation bonds.

#### Speech by Dr. Rathenau

Dr. Rathenau, who is the head of one of the great electrical industries of Germany and was the German minister of industry during the war, in a speech before a body of German business men, is reported by the Berlin Tageblatt as describing the meeting with M. Louchour in part as follows:

We consider that such important questions cannot be discussed without the various parties meeting and examining the economic and technical aspects of the problem together, but public opinion in France and in some other countries is still divided on this point. A certain number of newspapers, especially economic and political ones, are still of the opinion that the best methods are brutal coercion and political pressure rather than impartial investigation. The French Minister for the Liberated Areas gave proof of great political wisdom when he resolved to go to Wiesbaden to carry on personal negotiations, and there are those in France who have vehemently criticized his action. The negotiations lasted two days and were carried on entirely correctly, both sides fairly facing the difficult problems as they arose. The programme of the negotiations was as follows: the first day was to be devoted to general problems, the second to discussions of questions of detail with the collaboration of the experts. After the first day this programme was modified and the second day entirely devoted to the discussion of the general questions of which I have just given you a rough sketch. M. Louchour and I met as man to man just like two business men or two experts.

I had every opportunity in the course of these interviews to appreciate the fairness with which M. Louchour represented the interests of his country, and I am glad to have met a man who, like myself, intends to deal dispassionately and without prejudice with these great problems, although he fully realizes all that his country has a right to demand from us and is not prepared to waive any of it. That is the French side of the question.

In discussing the problem of reparation we must take the view that our first duty is to see how many payments in gold or currencies can be converted into payments in kind. You already know that attention has been given to a number of contracts to be placed in Germany for restoration work. The first order is for a certain number of wooden houses, estimated originally at 25,000 and which may reach that figure later; the negotiations however concern a much smaller number, about 5,000. The Commission appointed by France is making a circular tour in Germany to see models and it is possible that orders will be given later. No agreement has yet been arrived at in regard to the price. We must not exaggerate the importance of this first order which constitutes a sort of experiment. This order will cost about 10 to 12 million gold marks at the maximum, and will therefore not seem a very large one to an industrial concern of any importance, nor make much difference to Germany as a whole.

If we are to succeed, in the course of the private negotiations which are now to be instituted, in solving the problems I have just mentioned to you, it will be necessary to set up a body to be entrusted with the duty of grouping and impartially distributing the contracts given by France. We must not underestimate the importance of this question. There are 2,800,000 people who have suffered loss in the devastated areas who must be given the opportunity to

make known in what measure they wish to make use of the services of Germany, and a body must be set up in Germany to meet legitimate requests addressed to us by the different areas for co-operation in the work of reconstruction and by the different trades, all having an equal right to profit on the orders. Both manufacturers and agriculturists have the right to expect to receive orders, but the various trades may also bid for them, and the syndicates have a right to examine in detail the problems which arise and to take part in discussions on the supplying of German labor.

The idea, a perfectly reasonable one in itself, of entrusting the professional groups with the duty of delivering supplies and the district groups with that of distributing the orders amongst the various regions, has now been realized, but we cannot yet say that it has been proved that this work has hitherto been done by these organizations as promptly and as surely as it will have to be done in the future, if these large orders are to be given to Germany. In many cases unjustifiably high prices have been asked, and in other cases the professional groups have rejected proposals where the prices suggested have been inferior to their own. These are all very difficult questions to deal with.

I cannot today, gentlemen, go at length into the question of the forms of the organizations which must be set up, but I can say, with all due respect to those who worked so well for Germany during the war, that I will have nothing resembling any of the war time organizations. I know that many will not agree with me here, but it is impossible to please everybody. The first conditions which must be fulfilled by any organization are regular functioning and an equitable distribution of profits, which shall eliminate all possibility of a fresh class of profiteers which we might call "reparation profiteers" springing up.

This conference has been one of the most hopeful of recent developments in Europe. The attitude of both ministers seems to have been that of business men who were agreed upon a situation and had set out upon a practical policy for dealing with it.

#### Germany

Conditions in Germany are disturbed by the situation in Silesia. The present cabinet has had to take the responsibility of accepting the allied ultimatum and it might not be able to stand an adverse decision as to Silesia. There is general confidence in Europe in the honest purposes of the present cabinet. It is believed to be actuated by a sincere desire to build up a new Germany, democratic in spirit and free from militaristic ambitions. It goes without saying that it does not in these purposes represent all of Germany, for that is not to be expected, but it is entitled to respect and the allies may well consider the advantages to be gained by policies which will enable this kind of a government to gather strength to itself in Germany.

The provisions of the treaty which bases the indemnity payment in part upon the volume of German exports is very unsatisfactory in Germany. It is said that the influence will be to injuriously restrict Germany's foreign trade, particularly with nearby countries. Thus it may be advantageous to import coal into eastern Germany from Poland and export coal from south Germany to France, Switzerland, Holland, etc., but 26 per cent of the value

of all exports must be paid as indemnity. Dr. Rathenau, in the address referred to above, referred to this 26 per cent levy in the following terms:

The second part of our task will consist in trying to replace the index of 26 per cent by some other arrangement. The ultimatum itself implies the possibility of such a change, and I consider that it is becoming more and more obvious both at home and abroad that the present index of 26 per cent on the total value of German exports is not a satisfactory criterion, either from our own point of view, as it would constitute a great hindrance to our export trade and would be in the nature of a prohibitive measure, or from the point of view of the Allies as it would have the effect of depreciating the value of the bonds possessed by France, and it would be difficult to interest the international money market in bonds resting on an index of this kind, which would entail a dangerous element in the export policy of the country.

This index will injure Germany's credit; foreign countries will surely say: What will eventually happen to a country threatened with a punishment which is to be harsher in proportion as its foreign trade becomes more extensive? It is very clear that subsequent German Governments may take up a very different attitude in the face of this new and difficult problem from that taken up by the present one. One Cabinet may say: In spite of the index we wish to encourage our export trade. But another Government may come afterwards which will say: On account of this index we wish to try and limit Germany's economic activities to the home market. Such variations of policy would be hurtful, not only to Germany but also to her neighbors, and especially to those countries which are receiving the indemnity. I consider for these reasons that the 26 per cent index is one which all parties will find very difficult to apply and that it should therefore be replaced by some other index.

The industries of Germany, from all accounts are in better condition than those of any other country in Europe, although there is a tendency in all other countries to overstate the situation and the advantages of Germany's low exchange rate. All of the industries are not prosperous, and reports that works are running ten and twelve hours per day are incorrect. More than eight hours' work per day is forbidden by law, one of the reasons for it being to assure a distribution of work to all, which would not be an argument if there was plenty of work.

#### **The German Labor and Wage Situation**

A well-informed writer in a recent number of the London Economist discusses at some length the labor situation in Germany and the tendency of wages. He throws light upon a subject very generally misunderstood. He says, in part:

The underlying assumption that throughout a long term of years German cheapness, which is a vagary of the incalculable foreign exchanges, will prevail, is not justified by observation, any more than it is by economic theory. German gold prices, as I showed last week, have been overtaking the higher gold prices of the gold exchange countries. German nominal prices (commodities) are today almost exactly the same as they were in February, 1920, when the dollar exchange touched 104 marks; the dollar is today 69; and in the meantime the gold prices of the United States have fallen to about half their maximum. The belief that the German workman works for long hours is mistaken. He works for eight

hours, in coal mines for seven hours; if a bill already submitted is passed he will work in all mines for seven hours, and last year in the Ruhr mines a general strike was threatened in favor of six hours. The assumption that German workmen work, and will work, for extremely low wages is based on confusion between nominal wages, gold wages, and real wages. German gold wages are very low. The German real wage, the only wage that comes into account in considering working-class "content," and "apparent acquiescence," is not low. It is considerably higher than before the war. The cost of living index (Statistical Bureau's) is 830; the Wages Index (Frankfurter Zeitung's) is 1,132; in other words, real wages are 30 per cent higher than before the war. Further German workmen show the same persistency as British or American workmen in pushing up or keeping up wages. Between January, 1920, and April, 1921, the cost of living in Germany rose 50 per cent, whereas nominal wages, always as the result of agitation, rose 120 per cent; so that the present movement is altogether for a higher real wage. Naturally, in foreign trade competition it is not real wages, or nominal wages, but gold wages that count. But the German nominal cost of living is kept at its present level only by price-restriction and food-subsidizing. This is no permanent system; a great part of it has been abolished, and the rest is to be abolished; and should the cost of living in consequence rise there is no doubt that workmen will demand higher wages as they did when cost of living was rising in 1920; and this, given a stable exchange, will mean a rise in gold wages. A new vagary of the exchanges (and the mark exchange in three months of 1920 rose 200 per cent) may upset all these calculations, so that calculations for 40 years ahead based on a present exchange level are not convincing. In fact, it is not easy to see how the reparations payments can be made unless the German workman does consent to work long hours for low wages; the difficulty is that German workmen show no consciousness of the necessity. The practicability of the plan to compel Germany to pay in certain kinds of goods which do not compete with British industry is doubtful. The coal output of Germany cannot be rapidly increased; for two years the attempts made have for labor and technical reasons, failed; potash is not being bought by America, the chief former customer, because it is already too dear, and France, the chief reparations claimant, is herself exporting potash; and the sugar abundance which Mr. McKenna points to does not exist.

The finances of the German Government are still in bad shape, with the volume of currency increasing, but too much emphasis should not be placed upon this. There is reason to believe that the situation is not so far out of hand as may appear, and that by doing away with food subsidies, placing the railroads on a self-supporting basis and other reforms the situation may be rapidly improved.

The crops in Germany this year are very good, which will permit a reduction in food importations.

#### **Cattle Loans.**

Organization of the cattle loan pool, to which Eastern and Western bankers are contributing jointly \$50,000,000, has been definitely completed and the pool has already begun to make loans. Reports from the Southwest indicate that the plan is meeting with favorable reception on the part of cattlemen, and that the funds thus provided will do much to relieve the desperate situation which cattle growers have been facing during recent months. Operation of the pool is also expected



to be of assistance to many banks in the cattle country, in that the new funds thus provided will make possible, in many cases more gradual liquidation of previous obligations.

Steps have been taken to make negotiation of a loan from the pool as simple as possible. Applications are made through local cattle loan companies or banks, and the deciding factor in determining the percentage to be loaned against a given herd is governed, as is usual in such cases, by the individual's credit standing in his own community, and by his probable ability to meet his obligations as they mature. Loans are being made on a six months basis so that the paper will be rediscountable at the Federal Reserve Banks, but may be renewed up to a maximum of 30 months.

Correspondents of The National City Bank in the Southwest inform us that Mexico is now taking large numbers of American cattle, both for slaughter and to replenish breeding herds. Since our own breeding herds constitute the foundation of the cattle industry in America, one of the foremost purposes of the cattle loan pool will be to aid in preventing their further depletion here.

### **The Bond Market.**

At the beginning of this month a definite improvement in the bond market was noticeable, and the demand for industrial, railroad and public utility, and especially state and municipal, bonds continued to increase throughout the month. This change in sentiment is attributed partly to the continued lack of new corporate financing during the previous month as against a large amount of funds seeking investment as a result of July 1st dividend and interest payments and the general easing in the rates for money. July ended with a very strong market, an advance of approximately one per cent being noticeable in the case of some of the better known and more active issues.

During the latter part of the month Northern Pacific 6s sold up to 100, Great Northern 7s up to 100, and Chicago, Burlington & Quincy Joint 6½s up to 100½, compared with the price of 96½ at which these bonds were originally offered in the latter part of April.

On July 21 the syndicate managers for the \$100,000,000 Republic of France 7½ per cent bonds announced the entire issue had been sold, and there are many indications that the supply of bonds in the hands of dealers is very small.

A number of new railroads and corporate offerings were made during the month, and in practically all cases it was reported that the entire issues were quickly absorbed, and in many instances the securities were later in demand at higher than the original offering prices.

### **Corporate Issues for the Month**

Following is a list of the more important new corporate issues offered during the month:

\$25,000,000	Canadian Northern Ry. 25 yr. 6½% S. F. Gold Debenture Bonds, at 96½ and interest, to yield about 6.80%.
6,000,000	Commonwealth Edison Co. (Chicago) 6% 1st Mtge. Bonds, due 1943, at 91½ and int., to yield approximately 6¼%.
7,000,000	Rochester Gas & Elec. Corp. Genl. Mtge. 25-yr. 7% Gold Bonds, Series B, at 96 and int., to yield about 7.35%.
3,500,000	Salt's Textile Mfg. Co., Bridgeport, Conn., 1st Mtge. 15-yr. 8% S. F. Gold Bonds, at 99½ and int., to yield over 8%.
8,000,000	Illinois Central R. R. 15-yr. 6½% Secured Gold Bonds, at 97½ and int., to yield about 6.80%.
4,987,000	American Dock & Improvement Co. 1st mtge. Extended 6% Bonds of 1881, due July 1, 1936, at 97½ and int., to yield over 6.25%.
6,000,000	Commonwealth Edison Co. 1st mtge. 6% Gold Bonds of 1908, due June 1, 1943, at 91½ and int., yielding about 6¼%.
5,000,000	(Edward) Hines Associated Lumber Interests 1st Mtge. 8% Serial Gold Bonds, due July 1, 1924-35, at par and int.
4,000,000	Atlas Powder Co. 15-yr. 7½% Conv. Gold Bonds, at 96½ and int., to yield 7.90%.
4,000,000	Constantin Refining Co., Tulsa, Okla., 1st mtge. S. F. 8% Bonds due June 1, 1922-26, at par and int.
6,000,000	Jacob Dold Packing Co. 6½% Cumulative Preferred stock at par.
4,000,000	Detroit United Ry. 1st mtge. 8% S. F. Gold Bonds, due part Aug. 1, 1922 and part Aug. 1, 1941, at 99½, to yield 8.50% for one-year bonds and 99, to yield 8.10% for 20-yr. bonds.
5,569,000	Detroit Edison Co. 6% 1st and Ref. Mtge. Gold Bonds, due July 1, 1940, at 88 and int., yielding over 7.15%.

### **Municipal Securities**

The outstanding feature of the July bond market was the keen competition among dealers to purchase at advancing prices the very large number of important state and municipal issues which were reported as having been quickly distributed among investors, savings banks and insurance companies. Some of the large issues were:

\$1,502,000	Province of New Brunswick 6% Bonds, on a basis of about 6.17%.
4,277,000	Baltimore, Md. 5% Stock, on a basis of about 6.13%.
1,500,000	State of Oregon 5¼% State Highway Bonds, on a basis of about 5.71%.
1,000,000	Govt. of Porto Rico 4¼% Public Improvement Bonds of 1920, at a price to yield slightly over 5.20%.
3,000,000	State of Washington Genl. Fund Bonds, on a basis of about 5.83% for 6s, with option on the remainder until Sept. 1 as 5¼s on a basis of about 5.74%.
1,800,000	State of Wyoming 5% Highway Bonds at par.
4,378,000	State of California 5¼% Highway Bonds at price to yield from 5.75% to 5.40%, according to maturity.
10,000,000	State of Michigan 5¼% Bonds, on a basis of about 5.71%.
2,250,000	Newark, N. J. 5¼% Bonds, on a basis of about 5.49%.
5,000,000	Philadelphia, Pa. 5¼% Bonds, on a basis of about 5.20%.
5,000,000	Province of Ontario 6% Debentures, at 99.827.

## AMERICA AND EUROPE

**Their Present Relations—Credits—Debts—Reparation Payments—Common Interests—Address Before the International Chamber of Commerce, London, June 29, 1921.**

The International Chamber of Commerce is an outgrowth of the International Congress held in the United States in 1919, when Chambers of Commerce over the world were invited by the Chamber of Commerce of the United States to send delegates to this country for a conference upon matters of common concern, and particularly the problems arising from the war.

A second Congress was held in Paris in 1920, at which time the International Chamber of Commerce was formally organized, with M. Etienne Clementel, Minister of Commerce in the Cabinet of the French Government, as President; M. Edourd Dolleaux, of Paris, as Secretary, and a Board of Directors made up of prominent business men resident in nine countries. The International headquarters are at 33 Rue Jean Goujon, Paris, in a building provided by the French Government.

The Third Congress was held in London, June 27-July 2, this year, with an attendance of about 1,000, representing Chambers of Congress in seventeen countries. To facilitate discussion of the numerous matters under consideration the delegates met in sections, and on June 29 the section upon Finance having under consideration the subject of "Export Credits," George E. Roberts, Vice-President of The National City Bank of New York, on behalf of the delegation from the United States, addressed the body as follows:

**Address of Mr. Roberts of the American Delegation**  
Mr. Chairman and Gentlemen:

In view of the interest that has been manifested by many delegates the economic position of the United States, and its ability and disposition to create credits in the present world situation, it has been thought well by the American delegation that a somewhat detailed statement should be made in their behalf upon the subject.

The American delegation has come to this meeting with a very profound sense of the gravity of existing industrial and social conditions over the world, and of the need for international co-operation in dealing with them. The United States in common with all other countries is suffering from the disorganization of industry and the exchanges which has resulted from the war, and fully realizes the importance of restoring trade relations between countries.

There has come to all peoples in this period of depression a clearer understanding than they ever had before of their mutual interests and dependence. The world had developed

before the war a very highly organized system of production and exchange. It was a vast co-operative, voluntary, system which had grown up so gradually, and by the contributions of so many people, that we scarcely understood either the extent of our interdependence or how it came to be. There was little general comprehension of the economic principles underlying and governing these relations. Few people thought enough about them to appreciate the gains that accrued to all classes, for example, from a common standard of value, from the interlocking banking systems of all countries, from the development of specialized ability in industry and in trade, and from modern facilities of communication and transportation—all tending as they did, to improve the living conditions of the population everywhere.

This system of interchange of products and services was interrupted and in part broken down by the war. Then, with the exchange of goods in large degree stopped, difficulties developed about making payments even for the shipments that were made. And, finally, the enormous inflation of currency in the form of lawful money or bank credit, varying in the different countries, compelled a general suspension of gold payments and abandonment for the time being of the gold standard as a common measure of values, and has made the state of confusion in some quarters almost hopelessly complete.

### Unsettling of the Social Order

Unfortunately this is not all or even the worst of the difficulties. The most serious have arisen from the general unsettling of the social order. There always has been, and in a progressive society inevitably will be, more or less social discontent, but the interruption of regular industry during the war, the rise in terms of money of the cost of living, and the emergency pressure which constrained governments to satisfy every demand—all tended to develop discontent and to encourage the belief that radical changes in social conditions were possible. The effect has been to confuse and unsettle the minds and impair the efficiency of millions of people. At a time when the world has needed production more than ever before, the hours of labor have been universally shortened, and production reduced in even greater proportion. Wages and costs have been forced up until value-relationships throughout industry are dislocated, and the exchange of goods and services thus made more difficult. Attempts to put the entire burden of heavy taxation upon capital, and to

force a greater distribution of wealth for current consumption, tend to reduce the amount of capital available for permanent improvements at the very time when investments of this kind are necessary to make good the deficit of the war time. And, finally, the agitation against property-rights tends to impair confidence and credit and to cripple enterprise. The combined effect of these demoralizing influences is to produce stagnation and unemployment, and to delay recovery from the state of disorganization and distress resulting primarily from the war.

#### **Normal Trade and Industrial Relations Must Be Restored**

The world must restore the old state of co-operation which existed before the war as between classes and occupations within each country and between countries. The compensation of workers in the different industries must be brought back into normal relations, in order that the exchange of products and services may go on. In the United States approximately one-half of the population are engaged in producing foodstuffs and raw materials, a considerable share of which must be exported and sold in world markets. These products have fallen to pre-war prices or below, while the products of the town industries, held up by labor-costs and understandings of various kinds, have undergone comparatively slight reductions. The result is that the producers of agricultural products and raw materials are unable to buy more than about one-half as much of the products of the town industries as when all products were on a common level of value. There can be no revival of prosperity until a readjustment of these relations is accomplished.

And so there must be a resumption of trade relations between countries. The United States is a country of varied natural resources, and as well constituted to live within itself as any other country. Normally our foreign trade does not exceed 10 per cent of our total trade, but we see that the demoralization of our foreign trade has prostrated the entire domestic business as well.

We need to restore the old relationships everywhere, to open the old channels of distribution and old sources of supply. We don't want to go all over again through the slow processes of growth and organization. We don't want to take time to make ourselves self-supporting in every country. We don't want to take time to find new customers, to learn new trades, to equip with new machinery, and to redistribute the population in new occupations. We want to start up the old machinery, tie up the severed relationships and go on as before.

This means that each country in studying to help itself must study the world situation. The purchasing power of every country is in its own powers of production. Every country must have its own people employed; it must produce and sell somewhere in order to buy. The trade of the world must balance and clear itself in order to have prosperity. In short, we must set up the whole world machine in order to get our own part of it into running.

#### **Fundamental Conditions of International Cooperation**

The problem of restoring international trade divides itself into accomplishing those things which a nation must do for itself and those things in which the nations must act together. In the present disorganized state of trade there is greater need for the use of credit in getting the movement started than in ordinary times, while the uncertainties which exist make all business more difficult and credit naturally harder to obtain. First of all the conditions essential to credit is the maintenance of an orderly state of society, which includes a stable government having the support and willing obedience of the people, recognition of property rights, general willingness on the part of the people to work and maintain an effective state of industry. These are the foundations of credit everywhere; and the more clearly it appears that they are understood and the benefits thereof recognized by all classes, the better the credit of a people will be.

The current regular expenditures of the Governments should be met by taxation, as laid down in the admirable declarations of the Brussels Financial Conference. If the ability to pay taxes is low, there should be unhesitating courage to reduce expenditures correspondingly. The people must be brought to a realization of the necessity of paying their way, and of the futility of such expedients as printing currency to meet Treasury deficits. In short, every effort should be made to get industry and trade back upon a sound and normal basis. Subsidies and regulations hampering business, originally arising from war conditions, should be done away with.

In addition to these basic conditions it may be desirable that in some countries there shall be a mobilization of resources, upon the general theory embodied in the ter Meulen plan, for the purpose of creating the highest form of credit obtainable under existing conditions.

When these things have been done on the side of the nations desiring to import goods and to obtain credit, the responsibility for a revival of trade will be shifted to the nations having a surplus of products for export, and which are the accustomed source of materials and supplies. When the countries which have



a natural deficiency of supplies for the sustenance of their population and the operation of their industries have done all that it is in their power to do, the exporting countries blessed with a wealth of natural resources must somehow find a way to do their part. The common obligations of humanity demand it, and their own interests require it. They will never see prosperity in their own streets until they do it.

#### Position of the United States of America

The delegation from the United States are deeply impressed with the responsibility of their own country in this connection. They recognize that its responsibilities are commensurate with its resources and ability to give aid.

The potential resources of the United States are very great, indeed, both in natural supplies and productive capacity. It has a large surplus of foodstuffs, great capacity for producing raw materials, and the facilities for mass production of manufacture in many lines, especially in steel and industrial and railroad equipment. In fact the variety and capacity of our industries are such that our perplexity in world trade is in determining what we are willing to take in exchange for the things we are anxious to sell.

In brief, we have the ability, measured by productive capacity, to supply the world with a great amount of capital in the form of our products, but there are difficulties in connection with doing so which we would like you to understand.

This ability to produce goods and materials, as you know, is private ability. The production is by private enterprise and privately-owned works. The companies and individuals conducting the operations cannot sell the products around the world on credit. The farmer must be paid for his crop, because he must have the means of paying his own operating and living expenses. The manufacturer must be paid for his goods because he requires all but a small part of the proceeds to pay his own wage-workers and meet other operating expenses.

In ordinary times the movement and distribution of goods from producers to consumers is handled by the traders, with the aid of the banks and financial houses, and it is accomplished largely by the clearing process—a system by which the stream of goods moving one way is offset against the stream moving the other way, and the trade is made virtually to settle itself. Now the balance for the time being is lost, and the problem is to restore it. Temporarily an extraordinary amount of credit must be used to keep the unbalanced movement going.

There must be a general mobilization of capital and credit to take these products from the producers for cash and sell them where they are wanted on credit. A new supply of capital and credit must be brought into the gap. The ordinary supply of credit is not sufficient, and the short-time credit afforded by the banks is not adapted to the situation. The banks are handling temporary funds, the great bulk of which are payable on demand. Obviously they cannot tie up these funds in transactions which will have to run for a term of years.

#### The Investment Market

The other recourse is to the investment market. Securities issued by the corporations or governments of importing countries, or issued by American corporations and based upon the proposed credits, must be sold to individuals who have a surplus of funds for investment, and we would like you to understand the conditions surrounding the investment market at this time.

In the first place while the wealth of United States, as shown by census returns, is very great, it must be remembered that it is comprised of property spread over a vast extent of territory, of widely distributed ownership, and consists very largely of real estate, i. e., farms and town property. The United States is still a new and developing country, and in most sections of it the people are accustomed to devote their surplus incomes to the extension of their own immediate businesses or for other local undertakings. The number of people accustomed to invest in securities listed on the stock exchanges or offered in the public market has always been relatively small. The amount of wealth held in the form of securities is relatively small, and it will not do to base expectations about what the country is likely to do in the way of buying securities upon the wealth reported by the census. It takes time for people to acquire the habit of investing their money away from home and in the custody of others, and particularly to become used to the idea of making investments in foreign countries. Our people distrust their own judgment when it comes to investment in foreign securities.

Down to the beginning of the war practically no foreign securities ever had been sold in the United States; during the war a few issues for the allied and neutral governments were sold there. Since the armistice something over one billion dollars of foreign government securities have been sold there. This shows that we are making progress in developing a world market, but it is a process of growth.

Down to the outbreak of the war we had been accustomed to look to the European

market for capital for ourselves. It was a cheaper and broader market than our own.

#### **Present Demands Upon the American Market**

It must be remembered that during the war our development work was checked by the fact that the government loans aggregating about \$25,000,000,000 swept up the available funds, so that now every part of the country is in need of capital for local improvements. We are needing to build houses, to spend large sums upon our railroads and public utilities, which generally suffered deterioration during the war.

The competition for capital for these purposes has made interest rates high and the new offerings of securities at high rates has had the effect of depressing the entire list of outstanding securities and stocks, so that they yield high returns upon present values.

Other factors in the situation are the high rates of taxation and the large amount of securities that are exempt from taxation. Under our political organization the obligations of the Federal Government are not subject to local taxation and, reciprocally, the obligations of states, municipalities and the lesser subdivisions of government are not subject to Federal taxation. The total amount of securities wholly exempt now outstanding is estimated at approximately \$15,000,000,000, and is constantly being increased by new issues.

#### **Competition of Tax-Exempt Securities**

The United States Government issues that are totally tax-exempt yield at the present market  $3\frac{3}{4}$  to  $4\frac{1}{4}$  per cent., and other federal issues 4.60 to 5.60 per cent. Municipal securities pay a tax-free income of from  $4\frac{1}{2}$  per cent. in the case of certain choice issues up to 7 per cent. in the case of numerous small cities whose credit is not so widely established, but is nevertheless perfectly good.

The presence of this large body of tax-exempt securities has the effect of practically eliminating investors of high incomes as buyers of securities subject to taxation. To an individual with an income subject to our maximum tax, an exempt 4 per cent Federal or Municipal bond yields an equivalent of nearly 15 per cent. interest. Conversely, a taxable 7 per cent. investment such as a real estate mortgage, an industrial or railroad bond, or a foreign government bond, after tax payments actually yields less than 2 per cent. This calculation is based on Federal taxes only, and there is local taxation to be considered besides. Many of the States have income taxes, the maximum rate in New York State being 3 per cent.

It should be understood, also, that the Treasury of the United States faces the necessity of doing an extensive amount of financing. Within the next two years short-term obli-

tions aggregating \$7,200,000,000 fall due and must be met in the main by refunding operations. While it is true that these operations will not require borrowing in excess of the payments to be made, they will involve an increased demand for investment capital, inasmuch as the banking institutions now carrying short Treasury obligations will avoid the long-term obligations into which conversion is planned. The public market will be affected by the competition of the Treasury for investment funds.

#### **Financial and Industrial Conditions in the United States**

We understand that it is a common opinion abroad that the wealth of the United States was greatly increased by the war, but this is a fallacy. The United States was growing in wealth before the war, and there is good reason for believing that this growth was checked rather than stimulated by the war. It is true that during the first years and before entering the war as a combatant, the nominal wealth of the country increased very rapidly, and the real wealth also increased at greater than the normal rate. But after the country entered the war its own expenditures were very great and the deterioration of property and loss of normal development was very serious. Moreover, a large part of the nominal profits made during the period of rising prices has been lost in the period of falling prices and the country is now experiencing in idle industries, business depression, unemployment and bankruptcies, a reaction which is costing an amount that cannot be measured. We are paying now the natural penalty of abnormal prices and abnormal profits, and when we are through with it the record is likely to show, as for every other such experience, that the balance is in red. We have a great body of internal private indebtedness represented in part war-financing, but more largely speculation and extravagance induced by the rise of prices. Our people now face the necessity of liquidating this indebtedness with products at low prices and with business stagnant and unprofitable.

#### **High Interest Rates**

These are some of the conditions which we would like you to understand in forming your judgment upon what the United States has done and may be reasonably expected to do in the way of financing Europe. You have found it necessary to pay high interest rates upon your borrowings there; we see the terms commented upon in European papers as "extortionate." But these loans must be offered upon the public market and we ask you to consider that it is useless to offer large issues in any market of the world at less than the current

rate for good home securities in the same market. It is not the fault of the American banker that interest rates are high; it is his business to give the best advice he can as to the requirements of the market, and it is enough to say in vindication of his advice in the past that the European issues which have been placed on the American market heretofore may be purchased to-day at an average of practically the original issue price. A few are slightly above, but more are below.

#### **Widely Spread Resources and Population of the United States**

This statement of conditions in America is not made for the purpose of discouragement, but in order that there may be a good understanding. The bankers and business men of the United States who expect to exert themselves actively to the end that their country will come with all the strength it can summon to the relief of this world situation, want you to understand the conditions with which they must deal. The capital which the world needs can be largely supplied from the United States; the potentialities are there; but they are scattered over a great continent and in the hands of millions of people whose interest and cooperation are necessary. The main body of these people live in the interior, back from the Atlantic coast, some of them as far west of New York as New York is west of London. If you should lay the map of the United States upon the map of Europe with New York upon London, the important city of San Francisco would fall somewhere beyond the Ural Mountains, over in Asia.

I mention this only to show that, inevitably, these people are more or less provincial in their outlook, in the sense that local interests dominate. They are remote from Europe, and their relations with it are mainly indirect. It looks like a long way for them to go to invest money which just now they need very much in the management of their own affairs. It is a question how far an appeal addressed to them by the business interests of the eastern seaboard will move them, for they do not by any means consider the interests of the eastern cities as identical with their own. They are a people of high intelligence and will respond eventually to the necessities of this situation, as they did to the conditions which brought America into the war; but nobody can speak for them but themselves, and the very nature of the situation is such as to present difficulties in obtaining from the whole country prompt and co-ordinate action. It cannot be done offhand; it depends upon the spread of public sentiment over a great area. You must take America as she is, and judge her by the conditions which make her what

she is—for the same conditions probably would affect any other people in like manner.

#### **The Reparations Agreement and Bonds**

America has welcomed the settlement of the terms of the Reparations Agreement, and accepts the declarations of the German Government of its purpose to pay, as made in good faith. It believes the terms to be just and that they should be strictly carried out, so far as they prove to be economically practicable. American financiers, however, have viewed with some concern the statements emanating from several countries to the effect that the Reparation Bonds would be offered in the United States. From their point of view it would be unfortunate to have them introduced into that market at least at the present time. In the first place they are five per cent bonds, and the American market at this time is on an eight per cent basis for the best of foreign securities. There is reason to believe that the German bonds would not rank in that class. Without raising any question about the German purpose to pay, the undertaking of one country to pay so large a sum outside of its own borders and in foreign monies must be regarded as more or less of an economic experiment. Its success depends not only on the ability of Germany to export goods, but upon the willingness of other countries to import them. It is impossible to say in advance what effects such a volume of exports from Germany will have upon world markets, or what the attitude of countries toward them will be. It is not clear even what the attitude of the countries receiving indemnity will be toward German exports.

#### **Danger of Spoiling the Market**

Having regard for the low interest rate as compared with current rates in the United States, and for other features of the situation, it is certain that the Reparation Bonds would have to be sold at a low price to be moved in that market. If anything like a competitive situation developed among sellers, with so large a possible supply, the market might be demoralized. In short, it would be easy under the conditions to spoil the market not only for these bonds but for foreign offerings generally, and seriously interfere with all efforts to aid the European situation. Any experienced investment banker will confirm the truth of this statement.

American bankers feel that it would be unfortunate to have these bonds offered in a market that was not receptive to them, and sold at low prices. The countries receiving them as indemnity would be disappointed and critical of America for what would be regarded as extortionate terms, and Germany probably would be aggrieved over being compelled to



pay so much more than was actually realized by the recipient countries. In all likelihood it would be said on all sides that the United States, which professed to want no indemnity at all, had found a way to obtain the lion's share. The prospect would seem to be good for the United States to get itself thoroughly disliked in all quarters. We wish to avoid getting into that position.

#### **The Governmental Indebtedness**

The question of the indebtedness of the Allied governments to the Government of the United States, amounting in the aggregate to approximately \$10,000,000,000, is another delicate subject which we realize has great interest for many of our associates in this International Chamber. We are aware that many people think that for various reasons there should be a cancellation in whole or in part of this indebtedness in connection with a general readjustment between the governments that were associated in the war. I have not the time to review the arguments and no inclination to discuss them in a controversial manner. There is influential support for the proposal in the United States, but candor would compel us to say that there is no large body of pronounced opinion in favor of it at this time. There is not such a body of opinion as would justify this delegation in giving any encouragement that cancellation will be entertained. It should be understood that the executive branch of the government of itself has no power to alter the conditions laid down in the Act of Congress granting authority for the loans. This means that nothing can be done except by action of the Congress, whose members come directly from the people of all sections of the country, and it is quite certain they will not act in a matter of so much importance without a definite expression of consent and approval by their constituents. At present it must be said that the American public is not convinced either that justice to its late associates requires that America should take such action, or that the emergency confronting the debtor countries is so great as to require cancellation in order that they may regain a sound economic position.

#### **Public Opinion in the United States**

It is true that when a country has declared war its own interests require that it shall use every resource at its command to overcome the enemy as speedily as possible. Fighting alone it will do so, and if it has allies it naturally will withhold no aid that will make their efforts more effective to the common advantage. This affords a basis for the view that each country is impelled in its own behalf to make the largest possible contribution, both directly and indirectly, and that no other meas-

ure of the proper contribution of each country to the common cause is practicable. But admitting that from the day the United States entered the war it was necessarily committed to the full use of its resources to achieve victory, it remains true that in order to understand the view of the American people as a body it is necessary to consider the conditions under which they entered the war and their habitual attitude toward European political affairs. They are a great composite people, living a long way from the seat of the conflict. That they should be involved in a European war came as a great surprise to them. They had endeavored to avoid European entanglements. They did not feel that they had any responsibility, historical or otherwise, for the war, or that they were as vitally related to it as the peoples of Europe. This does not imply blame or criticism of any of their associates, but simply that they considered themselves fortunately placed outside the area of European controversies and entitled to the immunities of their position. They entered the war, as they believed, for just and righteous reasons, and cheerfully made heavy expenditures of life and money upon it, but they have never felt that primarily it was their war, or that there was any good reason why they should assume more than the expenses of their own efforts in it.

That reasoning may seem superficial and fallacious to people who view the situation from a different position—but again we would repeat that the attitude of the American people probably is not different from what would be the attitude of any other people under similar circumstances. In any event, as fellow-delegates in this Congress, we feel the responsibility of describing conditions to you as they are.

#### **Mutual Interests Require Postponement of Payments**

On the other hand it does not follow from this view that the American people have any disposition to pursue a harsh and peremptory policy about these loans. They have postponed temporarily the claims for interest payments, and at the instance of the present administration a bill has been introduced in the Congress giving the Secretary of the Treasury plenary powers to extend the time of payments upon principal and interest. We believe that public opinion in the United States will approve of every act of accommodation that is necessary to handle this indebtedness in such manner that it will not embarrass the debtor nations in their recovery or inflict hardship upon them.

Aside from the disposition of the American people to follow this course from motives of friendship and consideration for their late as-

sociates in arms, there are other reasons why they should do so, some of which may give greater assurance than any statements from this delegation.

There are economic reasons why the United States should not desire payments upon this indebtedness under present conditions. There is a natural equilibrium in economic affairs which all parties are interested in maintaining. The United States is a great exporting country. With her vast productive capacity she is anxious to maintain and increase her exports, but finds herself to-day confronted in every foreign country by exchange rates which put her at a disadvantage in the competition. If in the present state of trade the United States should ask for the payment of accruing interest upon these loans, and the debtor Governments should go into the markets and attempt to gather up exchange to make the payments, the effect would be to raise exchange rates on New York still higher and bring our exports to a standstill. In short, the United States, from the standpoint of its own interests, cannot afford to accept payments of either principal or interest from the debtor governments at this time. It will handicap and imperil our own trade by doing so. Moreover, if the time ever comes when we can accept such payments without injury to our own trade, by that token the situation will be such that the payments can be made without hardship to the debtors.

#### **Practical Results of the Debtor and Creditor Relationship**

The position of a creditor country has been reached very suddenly by the United States, and the perplexities of the situation are largely due to that fact. If the development had come in the normal course of trade, there would be nothing alarming in the fact that Europe owes the United States \$10,000,000,000 or \$15,000,000,000. Before the outbreak of the war the world owed Great Britain approximately \$20,000,000,000, but that indebtedness was giving nobody any concern, because Great Britain continued from year to year to re-invest the income largely in the debtor countries. The fact is that the debts of the world to Great Britain, including all of its foreign investments in that category, were always growing and nobody ever raised a question as to how or when they would be paid off. Collectively they were not expected to be paid off, and that suggests a question as to the actual burden involved in a body of indebtedness of which neither principal nor interest ever is to be actually paid! A creditor country under normal conditions is like a rich man who seldom reduces his investments, but rather is always adding to them.

I might go farther, and develop the thought

that it makes very much less difference than is commonly thought where a body of securities is owned, provided the income from them is available for investment wherever in the world the best opportunities exist for the development of industry and for increasing the production of staple goods of world-wide consumption. Most of the controversies over the ownership of wealth are based upon the assumption that nobody gets any benefit from wealth but the people who hold title to it, which, of course, is a gross fallacy. The benefits of wealth in productive forms are diffused throughout society, scarcely hindered by national boundaries. To a very much greater extent than we are accustomed to think the wealth of the world is a common fund, whoever may hold the titles of ownership and wherever it may be located.

#### **The Lesson of Mutual Interests**

This may seem to be a kind of talk best appreciated by the owners of wealth and by the people of a creditor country, but I am trying to point out how the interests of countries are intermingled. What I am saying now is intended as much for our own people in the United States as for you. We want to sell our products, and we cannot sell them in normal quantities and collect these debts at the same time, at least under present world conditions. Unless we handle this indebtedness with a proper regard for the trade upon which our industries are dependent we will lose more than the debts amount to. That is the lesson in relationships which goes with our new position as a creditor country. We are not very clear about it yet, because the position is new to us, but we are not slow to discover that high exchange rates on New York raise the cost of all American products to foreign buyers. This fact affects every grower of cotton and every producer of grain and live stock in the United States, and whatever affects them likewise affects everybody else in the United States. I venture to say to you that exchange rates and the prices of international products constitute the most powerful influence for the dissemination of wholesome instruction about international relations that can be exerted. They are teaching that the world is one community and that prosperity or depression in any country exerts an influence for prosperity or depression in every other country.

#### **Summing Up**

In conclusion and to sum up: This delegation from America has no commission to make promises. It can express only its own opinions. It believes that now the indemnity terms are settled, and that peace and social order in Europe appear to be more firmly as-

sured than at any time since the war, the prospects for international co-operation are greatly improved. They are convinced for themselves and believe that the American people are generally impressed that there will be no prosperity in our own country, no markets for our own products, until international trade is again flowing in accustomed channels. The importing countries desiring credit must do their part: they must supply the best basis for credit they can offer, remembering that those of us in the United States who desire to work with them are obliged to go out to the public market and find the money with which to pay for the things that are wanted. The bankers who handle the securities must comply with the conditions of the market, and they must be able to offer securities they can recommend.

Finally, the needs of Europe should be presented in definite form. There should be something like a general survey in each country to determine what is wanted, and what is most wanted, in order to restore the productive capacities of the country. If it is agricultural implements, a list should be made of the number of ploughs, harvesting machines, or whatever it may be: if it is breeding stock, a list should be made: if it is railroad equipment, a list should be made: if it is cotton or copper or other raw materials, lists should be made, and forwarded through the proper channels, together with a statement of the security that will be offered. Then it will be up to the business organizations of the United States to call together representative people in the industries directly concerned, and see what can be done. There is good reason to believe that steps taken in this orderly manner will lead to practical results. The situation is beset with difficulties, but the people of the United States have lost enough in the last year by a shrinkage in the value of their products and by idleness in their industries, to have supplied everything that Europe has needed for the restoration of her industrial life. Moreover these losses are continuing and will continue until normal trade is re-established. This fact constitutes a reproach to organized society, and there is reason to believe that when the situation is fully comprehended a way to correct it will be found.

### **Domestic Branches of The National City Bank.**

The attention of the officers of The National City Bank of New York has been called to the fact that the announcement of the opening of

the bank's branches in New York has created the impression in some quarters that the National Banking Laws have been amended so as to permit national banks to establish branches. This is not the case.

The National City Bank recently consolidated with the Commercial Exchange National Bank. The Commercial Exchange National Bank was originally organized as a state institution and, as such, established several branches in the City of New York. When it was converted to a national bank it was permitted under the law, to continue to operate branches established prior to that time and upon its consolidation with The National City Bank, all of its rights passed to the consolidated bank, including the right to maintain branches established before that time.

It was through this consolidation and not by reason of any change in the law, that The National City Bank was permitted to open New York City branches. Several national banks are operating branches acquired in the same way. Perhaps the most notable case of a national bank with branches is that of the "Bank of California, National Association," which has branches that date back almost to the establishment of the national banking system.

### **Discount Rates.**

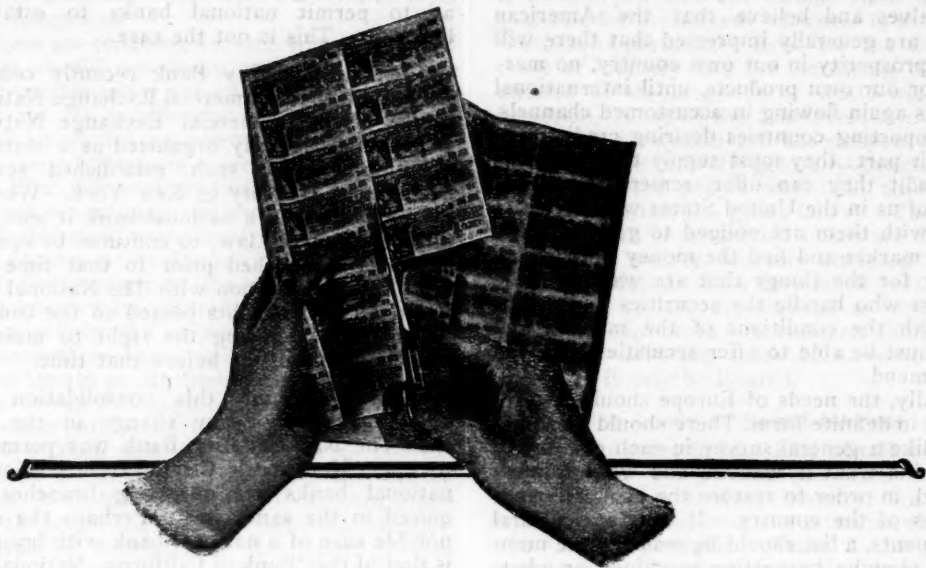
*Rates on paper discounted for member banks approved by the Federal Reserve Board and in effect July 27, 1921.*

Federal Reserve Banks	Paper maturing within 90 days				Bankers' acceptances maturing within 3 months	Agricultural and live-stock paper maturing after 90 days, but within 6 months
	Secured by—		Trade acceptances	Commercial Paper n.e.c.		
	Treasury certificates of indebtedness	Liberty bonds and Victory notes				
Boston .....	5½	5½	5½	5½	..	5½
New York ....	5½	5½	5½	5½	5½	5½
Philadelphia ..	5½	5½	5½	5½	5½	5½
Cleveland .....	6	6	6	6	6	6
Richmond .....	6	6	6	6	6	6
Atlanta .....	6	6	6	6	6	6
Chicago .....	6	6	6½	6½	6	6½
St. Louis .....	6	6	6	6	5½	6
Minneapolis ..	6	6	6½	6½	6	6½
Kansas City ..	6	6	6	6	6	6
Dallas .....	6	6	6	6	6	6
San Francisco	5½	5½	5½	5½	5½	5½

The system of progressive rates, based upon the amount of rediscounts for each member bank, which has been in force at the Kansas City Reserve Bank, has been discontinued.

### **THE NATIONAL CITY BANK OF NEW YORK**





## *That GRATIFYING Moment*

**T**HRIFT and the rewards of thrift find expression in the act of cutting the coupons from your carefully chosen bonds.

At present prices the liberal yield from high-grade bonds appeals to the foresight of men who habitually think ahead.

On our Current Purchase Sheet you will find a wide range of securities investigated with painstaking care—from which you may make desirable selections. Sent on request for B-166



**The National City Company**  
**National City Bank Building, New York**

*Offices in more than 50 cities*

**BONDS . PREFERRED STOCKS . ACCEPTANCES**

